

Message Text

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ACTION NEA-10

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC PRIORITY 7943

UNCLAS ALGIERS 0354

FOR: NEA/EX

E. O. 11652: N/A

TAGS: AFSP, ASEC

SUBJ: GENERAL CONTRACT FOR MAINTENANCE AND GUARD SERVICES

1. CONTRACT FOR MAINTENANCE AND GUARD SERVICES EXPIRES ON 15FEB78, THE CONTRACTOR HAS PROPOSED 49 PERCENT (USDOLS 80,697) ANNUAL INCREASE ABOVE PRESENT COST OF USDOLS 164,468.

2. TOTAL COST FOR PROPOSED NEW CONTRACT IS USDOLS 245,165 ANNUALLY BROKEN DOWN AS FOLLOWS:

SALARIES (REFLECTING 4 PERCENT AVERAGE INCREASE BASED ON RECENT PRESIDENTIAL DECREE)

6 DAY GUARDS (4 ONE/MAN POSTS, 1 TWO/MAN POST)	\$ 19,840
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10 NIGHT GUARDS (3 TWO/MAN POSTS, 1 ONE/MAN POST)	43,576
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1 GUARD SUPERVISOR	7,706
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2 NIGHT TELEPHONE OPERATORS	7,469
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3 GARDENERS	11,670
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5 MAINTENANCE PERSONNEL	22,594
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TOTAL	US\$112,855
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PAYROLL, TAXES, SOCIAL INSURANCE AND OTHER OBLIGATORY TAXES

75,453

MANAGEMENT FEE PLUS OVERHEAD	29,925
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CONTINGENCY FOR SEVERANCE PAYMENTS	8,978
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CONTINGENCY FOR ADVERSE LABOR COURT JUDGEMENTS	17,955
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TOTAL	US\$245,165
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3. THE SALARY AND TAX FIGURES ARE BASICALLY INDISPUTABLE, HOWEVER, POST BELIEVES THAT THE FINAL THREE FIGURES CAN BE REDUCED BY ONE THIRD TO ONE HALF THROUGH NEGOTIATION. UNDER THE BEST CONDITIONS IT IS PROBABLE THAT THE CONTRACT IS GOING TO COST APPROXIMATELY US-DOL\$215,000 WHICH IS STILL LESS THAN THE RUNNER-UP BIDDER FOR THE CONTRACT ONE YEAR AGO EVEN THOUGH THE CONTRACT NOW INCLUDES AN ADDI-

TIONAL GUARD AND ADDITIONAL MAINTENANCE SERVICES. FEELERS HAVE BEEN PUT OUT FOR OTHER CONTRACTORS BUT AS YET ONLY ONE HAS BEEN FOUND AND EMBASSY IS AWAITING HIS BID.

FACTORS TO CONSIDER REGARDING THE 49 PERCENT INCREASE ARE AS FOLLOWS:

- A) 3 PERCENT DECREASE IN THE VALUE OF THE DOLLAR.
- B) CONTRACTOR HAS BEEN FORCED TO PAY SEVERANCE PAY TO A NUMBER OF GUARDS DISCHARGED AT THE REQUEST OF EMBASSY.
- C) CONTRACTOR'S ACTUAL KNOWN SALARY COSTS PLUS LEGALLY REQUIRED 58 PERCENT PAYROLL TAXES ARE IN EXCESS OF AMOUNT PAID BY EMBASSY TO CONTRACTOR.

4. EMBASSY PERCEIVES THE FOLLOWING ALTERNATIVES WITH RESPECT TO CONTINUANCE OF GUARD AND MAINTENANCE SERVICES:

- A) AUTHORIZE POST WRITE PERSONAL SERVICES CONTRACTS WITH MAINTENANCE AND GUARD PERSONNEL. EMBASSY HAS OFFERED CONTRACT TO THE EMPLOYEE ASSOCIATION BUT OFFER WAS DECLINED. PERSONAL SERVICES CONTRACTS IF AUTHORIZED COULD BE WRITTEN AT A COST OF APPROXIMATELY USDOL\$150,000 BECAUSE EMBASSY COULD AVOID MORE THAN HALF OF THE TAX COSTS. PERSONAL SERVICES CONTRACTS WOULD ENTAIL MORE PERSONNEL AND CASHIER WORK BUT THE PLUS SIDE WOULD BE A SAVING OF USDOL\$ 65,000 ANNUALLY AND GREATLY INCREASED CONTROL OF THE GUARD FORCE.
- B) ABANDON CONTRACT ENTIRELY RESULTING IN DRASTIC INCREASE IN MAINTENANCE COSTS AND LARGE DECREASE IN SECURITY COSTS, POOR AND SLOW MAINTENANCE SERVICES AND NO SECURITY.
- C) RENEW CONTRACT AND PAY THE ASKING PRICE.

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AFTER ONE YEAR EXPERIENCE WITH THE GENERAL CONTRACTOR WE HAVE FOUND THE GUARD SERVICES PROVIDED TO BE FAR LESS THAN SATISFACTORY BUT THE MAINTENANCE SERVICES HAVE BEEN QUITE SATISFACTORY. SINCE THERE IS NO SERVICE COMPANY SPECIALIZED IN PROVIDING GUARD SERVICES IN ALGIERS AND LITTLE HOPE FOR MUCH IMPROVEMENT IN THE SERVICES, WE PREFER ALTERNATIVE A).

5. EMBASSY ANTICIPATES FORWARDING RESULTS OF FINAL NEGOTIATION WITH CONTRACTOR WITHIN NEXT TEN DAYS.

6. ACTION REQUESTED: MEANWHILE, EMBASSY WOULD APPRECIATE DEPARTMENT'S VIEWS.HAYNES

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